

COPPER IMPORT-TAX SUSPENSION

MARCH 3 (legislative day, FEBRUARY 21), 1949.—Ordered to be printed

Mr. GEORGE, from the Committee on Finance, submitted the following

R E P O R T

[To accompany H. R. 2313]

The Committee on Finance, to whom was referred the bill (H. R. 2313) to suspend certain import taxes on copper, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

In line 5, after "copper sulphate" insert:

and other than composition metal provided for in paragraph 1657 of the Tariff Act of 1930, as amended, which is suitable both in its composition and shape, without further refining or alloying, for processing into castings.

PURPOSE

The purpose of this bill, as amended, is to continue until April 1, 1951, the exemption of copper, copper-bearing ores and concentrates, and various articles containing copper, from the import tax imposed by section 3425 of the Internal Revenue Code. The suspension of import taxes on copper provided by Public Law 42, Eightieth Congress, first session, will expire at the close of March 31, 1949.

The import taxes in question are—

(1) Four cents a pound on the copper content of copper-bearing ores and concentrates and of the articles specified in certain enumerated paragraphs of the Tariff Act of 1930;

(2) Three cents a pound on an article not taxable under (1) above if it is dutiable under the Tariff Act of 1930, and if copper is the component material of chief value; and

(3) Three percent ad valorem, or three-quarters of 1 cent per pound, whichever is the lower, on an article not taxable under (1) or (2) above, if it is dutiable under the Tariff Act of 1930, and contains 4 percent or more of copper by weight.

The tax on copper sulfate was not suspended 2 years ago and it would not be suspended under the bill as reported.

By the terms of the committee amendment the import tax would not be suspended as to composition metals which, as alloys of copper, are suitable for processing into castings without further refining or alloying. The committee has found that certain articles of which copper is an important component have been imported into the United States during the last few months under suspension of the import tax. There is no intention of amending the Tariff Act with respect to such composition metals, and the committee amendment is designed simply to effectuate the purpose of the legislation, viz, to make available to the Government and to industry adequate supplies of copper to alleviate the critical shortage now confronting our economy.

GENERAL STATEMENT

Hearings were conducted by the Committee on Ways and Means in March 1947, followed by extensive hearings by the Committee on Finance. Leading industry representatives and Government experts adduced testimony establishing the existence of a critical need for suspension of the import taxes on copper, and Congress acted to afford relief. Domestic production is still inadequate to meet American needs as will be seen from the following:

	<i>Short tons</i>
1947 domestic production.....	976, 698
1948 domestic production.....	980, 135
1947 domestic consumption.....	1, 338, 383
1948 domestic consumption.....	1, 394, 307

The deficit apparent from the foregoing production and consumption figures must be made up from imports which have exceeded 800,000 tons in the past 2 years.

The stock-piling program is proceeding at the rate of approximately 15,000 tons per month. American industry will require approximately 1,400,000 tons throughout each of the next 2 years, while it is essential that additional copper be made available for the Rural Electrification Administration. The National Security Resources Board in its report, prepared for the advice of the President, sets forth that publicly and privately owned electric utility systems in the United States have planned an expansion of the Nation's power capacity which by 1951, will bring the peak capabilities to about 72,000,000 kilowatts as contrasted to about 50,000,000 kilowatts on January 1, 1948, an increase of more than 40 percent. To meet this program, American industry must provide turbines, generators, power switching and distribution equipment, power and distribution transformers, circuit breakers and switch gear, high-voltage insulators, and many other items. The Board concludes its report:

The schedules of production summarized in this report have been made on the assumption that there will be adequate supplies available of raw materials and components * * *

Despite the prevailing shortage, the price of copper has been substantially stabilized throughout the better part of the past 2 years at 23.5 cents per pound, and had the import tax of 4 cents per pound not been suspended, the effect, in all probability, would have been to raise the price to 27½ cents per pound, surpassing all peacetime prices. We cannot have a two-price system, one for domestic production and another for imports of copper. Continuation of the suspension,

therefore, will be helpful in maintaining the current price of copper and thus produce an anti-inflationary effect. This is obviously the result whether the rate of tax be 4 cents or 2 cents per pound. In either case, the price would tend to rise by the amount of the tax, thus imposing upon the American public a burden of tens of millions of dollars to import a vital commodity, already in short supply.

The Secretary of Commerce reports:

The present domestic production of copper is inadequate to meet the present demands. The estimated domestic production of refined copper, from domestic sources only during 1948, is placed at approximately 1,000,000 short tons, while domestic consumption for the same period is estimated at approximately 1,400,000 short tons. The indicated deficiency must therefore come from private imports of copper.

The United States Tariff Commission advises:

There have been no major developments in the United States which would indicate any substantial change in the production of or the civilian demand for copper and copper products for some time to come. Furthermore, copper is one of the products included in the military stock-piling program. Accordingly, it appears reasonable to extend the free entry of copper until March 1951, * * *.

The Committee has received communications expressing the support of both industrial consumers of copper and producers of copper for the suspension of the import taxes on copper for another 2 years.

The report of the Treasury Department on the bill is set forth below:

TREASURY DEPARTMENT,
Washington, March 3, 1949.

Hon. WALTER F. GEORGE,
*Chairman, Committee on Finance,
United States Senate, Washington, D. C.*

MY DEAR MR. CHAIRMAN: Further reference is made to your request for the views of this Department on H. R. 2313, to suspend certain import taxes on copper.

The bill would extend from March 31, 1949, to March 31, 1951, the suspension of the import tax imposed on articles (other than copper sulfate) by section 3425 of the Internal Revenue Code.

The Department would have no objection to the legislation and anticipates no unusual administrative difficulties from its enactment.

The Bureau of the Budget has advised that there would be no objection to the submission of a similar report on H. R. 260, a bill identical to H. R. 2313.

Very truly yours,

JOHN S. GRAHAM,
Acting Secretary of the Treasury.

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